

Message Text

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E.O. 11652: N/A

TAGS: AORG, OECD, NATO

SUBJECT: CCG PENSIONS

REF: OECD PARIS 24462 (NOTAL)

1. DEPUTY SECRETARY INGERSOLL RECEIVED THE FOLLOWING
LETTER DATED SEPTEMBER 12 FROM FRG STATE SECRETARY HERMES:

"DEAR COLLEAGUE:

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A. IN CONNECTION WITH THE EFFORTS OF THE COORDINATED ORGANIZATIONS OF NATO, OECD, WEU, COUNCIL OF EUROPE AND ESA TO CREATE A NEW PENSION SYSTEM FOR THEIR EMPLOYEES, I WOULD LIKE TO CALL YOUR ATTENTION TO A PROBLEM WHICH SEEMS TO ME TO REQUIRE A SPEEDY SOLUTION.

B. THE PRESENT PENSION SYSTEM OF THE COORDINATED ORGANIZATIONS PROVIDES FOR RETIRING EMPLOYEES TO RECEIVE A ONE-TIME CAPITAL SUM OUT OF A PENSION FUND WHICH THE ORGANIZATION CONCERNED FINANCES WITH 14 PER CENT OF THE BASIC PAY AND INTO WHICH THE EMPLOYEES PAY 7 PERCENT OF THEIR BASIC PAY. SINCE THIS SYSTEM IN MANY CASES DOES NOT GUARANTEE A SUFFICIENT PENSION, THE COUNCILS OF THE COORDINATED ORGANIZATIONS HAVE DECIDED TO CREATE A PENSION SYSTEM

WHICH, IN CONTRAST TO THE OLD ONE, GUARANTEES REGULAR PAYMENTS FROM THE BUDGETS OF THE ORGANIZATIONS THAT ARE ADJUSTED TO THE COSTS OF LIVING. IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE 94TH REPORT OF THE PERTINENT COORDINATING COMMITTEE, THEY AGREED THAT THE EMPLOYEES WHO OPT FOR THE NEW SYSTEM TRANSFER THEIR ASSETS FROM THE PENSION FUND TO THE ORGANIZATION CONCERNED UP TO 21 PER CENT (7 PER CENT PLUS 14 PER CENT) OF THEIR ANNUAL PAY PLUS 4 PER CENT COMPOUND INTEREST. THE REMAINING BALANCE WAS TO BE PAID TO THE EMPLOYEES.

C. THE RECOMMENDATION OF THE COORDINATING COMMITTEE WAS BASED ON THE ASSUMPTION THAT AFTER THE INTENDED TRANSFERS THE BALANCE WOULD NOT BE VERY HIGH. HOWEVER, ACCORDING TO MOST RECENT CALCULATIONS, THE BALANCE IN FACT AMOUNTS TO ABOUT 50 MILLION FRENCH FRANCS. AS OTHER GOVERNMENTS, THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY CANNOT SUPPORT A SOLUTION WHICH GIVES THE EMPLOYEES THE BENEFIT OF AN IMPROVED PENSION SYSTEM FINANCED AND GUARANTEED BY THE MEMBER STATES AND WHICH, AT THE SAME TIME, PLACES CONSIDERABLE SUMS OF MONEY FROM THE REMAINING FUND BALANCE AT THEIR DISPOSAL.

D. THE GERMAN DELEGATION, THEREFORE, HAS SUBMITTED THE FOLLOWING COMPROMISE PROPOSAL TO THE COORDINATING COMMIT-
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TEE: ACCORDING TO THE CONTRIBUTION CODE, TWO THIRDS OF THE FUND BALANCE FLOW BACK TO THE MEMBER STATES; ONE THIRD WILL REMAIN FOR THE EMPLOYEES.

E. THE GOVERNMENTS OF THE NETHERLANDS AND SWEDEN SUPPORT THIS PROPOSAL.

F. I KNOW YOU WILL AGREE WITH ME ON THE NECESSITY OF

ACHIEVING AN OBJECTIVE AND FINANCIALLY ACCEPTABLE SOLUTION THAT IS IN THE INTERESTS OF THE MEMBER STATES AND WOULD BE GRATEFUL IF THE U.S. DELEGATION WOULD SUPPORT THE GERMAN COMPROMISE PROPOSAL IN THE COORDINATING COMMITTEE.

YOURS SINCERELY,

SIGNED: DR. HERMES"

2. PLEASE TRANSMIT THE FOLLOWING LETTER TO HERMES:

STATE SECRETARY DR. PETER HERMES
MINISTRY OF FOREIGN AFFAIRS

DEAR MR. STATE SECRETARY:

A. THANK YOU FOR YOUR LETTER OF SEPTEMBER 12. YOUR LETTER PROPOSED CHANGES IN PREVIOUS AGREEMENTS REGARDING THE DISPOSITION OF CERTAIN MONEY IN A FUND FOR EMPLOYEES OF THE OECD, NATO, AND THREE OTHER EUROPEAN ORGANIZATIONS, SHOULD THE EMPLOYEES AGREE TO JOIN A NEW PENSION PLAN.

B. WE HAVE CAREFULLY STUDIED THE PROPOSAL OF YOUR DELEGATION TO TRANSFER TWO-THIRDS OF THE RESIDUAL FUND BALANCE BACK TO PARENT ORGANIZATIONS (AND THUS TO MEMBER GOVERNMENTS), LEAVING THE REMAINING ONE-THIRD FOR EMPLOYEES. WE ARE SYMPATHETIC WITH THE CONCERNS OF THE GERMAN GOVERNMENT ON THIS QUESTION. AS YOU ARE AWARE, WE HAVE BEEN CONCERNED ABOUT THE RAPID AND AUTOMATIC INCREASES IN SALARIES OF CCG EMPLOYEES, ESPECIALLY THE AUTOMATIC COST OF LIVING INCREASES, AT A TIME WHEN THE REAL SALARIES OF EMPLOYEES IN SOME CCG MEMBER COUNTRIES HAVE BEEN LIMITED OFFICIAL USE

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DECREASING DUE TO INFLATION. AS YOU KNOW, THE SALARY QUESTION IS NOW BEING STUDIED BY A SPECIAL GROUP OF THE CCG BUDGET EXPERTS AND NO INCREASES FOR THE COST OF LIVING SINCE JULY 1, 1975 WILL BE PUT INTO EFFECT UNTIL THESE ADJUSTMENTS HAVE BEEN REVIEWED. WE THEREFORE WELCOME YOUR COMMUNICATION WITH RESPECT TO PENSIONS WHICH RAISES ANOTHER ASPECT OF THE BENEFITS ACCRUING TO CCG EMPLOYEES.

C. WE DO, HOWEVER, AT THE SAME TIME SEE A NUMBER OF REASONS WHICH ARGUE FOR NOT CHANGING THOSE ARRANGEMENTS ALREADY MADE IN REGARD TO PENSIONS.

(1) -- A PENSION PLAN FOR CCG EMPLOYEES IS NEEDED WITHOUT DELAY, AND SERIOUS DISAGREEMENTS ON THE PENSION

PROBLEM COULD TAKE A LONG TIME TO RESOLVE. (2) -- THE INVESTMENT OF MONEY IN THE PROVIDENT FUND WAS DONE FOR THE BENEFIT OF EMPLOYEES, NOT GOVERNMENTS. IT SEEMS QUESTIONABLE WHETHER THE GOVERNMENT SHOULD BENEFIT AT THE EXPENSE OF EMPLOYEES BECAUSE THESE FUNDS WERE ABLE TO EARN MORE THAN A CERTAIN PERCENTAGE RATE. GOVERNMENTS WILL, OF COURSE, BE RECEIVING BACK ALL MONEY PAID INTO THE FUND BY BOTH EMPLOYEES AND GOVERNMENTS PLUS FOUR PERCENT INTEREST. (3) -- IT IS CONCEIVABLE THAT THE TOTAL AMOUNT ACCRUING BACK TO GOVERNMENTS COULD BE LESS WITH ADOPTION OF THE FORMULA YOU SUGGESTED IF AS A RESULT A SIGNIFICANT NUMBER OF EMPLOYEES CHOOSE NOT TO JOIN THE PENSION PLAN THAN OTHERWISE MIGHT HAVE DONE SO.

D. WE BELIEVE THAT IT IS IMPORTANT THAT A FINAL DECISION

ON THIS ISSUE BE REACHED WITHOUT UNDUE DELAY. WE LOOK FORWARD TO A FULL DISCUSSION AT THE OCTOBER MEETING. THIS MAY CLARIFY THE PROBLEM FURTHER AND THIS WILL WE HOPE LEAD TO AN EARLY CONSENSUS ON THIS ISSUE.

E. WE BELIEVE THE OCTOBER MEETING SHOULD ALSO ADDRESS THE PROBLEM THAT HAS BEEN RAISED BY YOUR GOVERNMENT AND THE CANADIAN GOVERNMENT REGARDING CERTAIN NATO PROVIDENT FUNDS THAT HAVE EARNED EXCEPTIONAL RATES OF INTEREST. WE ARE INCLINED TO BELIEVE THAT THIS PROBLEM CAN BE RESOLVED LIMITED OFFICIAL USE

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WITHIN THE FRAMEWORK OF THE AGREED ARRANGEMENTS, PERHAPS BY DEVISING A COMMON UNIT OF ACCOUNT AND USING IT TO DETERMINE THE AMOUNTS EMPLOYEES MUST TRANSFER FROM THE FUNDS TO NATO.

F. I AM CONFIDENT THAT CAREFUL CONSIDERATION OF ALL FACETS OF THIS QUESTION WILL ENABLE CCG MEMBERS TO REACH A MUTUALLY SATISFACTORY AGREEMENT.

SINCERELY,

ROBERT S. INGERSOLL

KISSINGER

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